

**TITLE 42 - THE PUBLIC HEALTH AND WELFARE**  
**CHAPTER 6A - PUBLIC HEALTH SERVICE**  
**SUBCHAPTER XI - HEALTH MAINTENANCE ORGANIZATIONS**

**§ 300e–17. Financial disclosure**

**(a) Financial information reported to Secretary**

Each health maintenance organization shall, in accordance with regulations of the Secretary, report to the Secretary financial information which shall include the following:

- (1) Such information as the Secretary may require demonstrating that the health maintenance organization has a fiscally sound operation.
- (2) A copy of the report, if any, filed with the Centers for Medicare & Medicaid Services containing the information required to be reported under section 1320a–3 of this title by disclosing entities and the information required to be supplied under section 1396a (a)(38) of this title.
- (3) A description of transactions, as specified by the Secretary, between the health maintenance organization and a party in interest. Such transactions shall include—
  - (A) any sale or exchange, or leasing of any property between the health maintenance organization and a party in interest;
  - (B) any furnishing for consideration of goods, services (including management services), or facilities between the health maintenance organization and a party in interest, but not including salaries paid to employees for services provided in the normal course of their employment and health services provided to members by hospitals and other providers and by staff, medical group (or groups), individual practice association (or associations), or any combination thereof; and
  - (C) any lending of money or other extension of credit between a health maintenance organization and a party in interest.

The Secretary may require that information reported respecting a health maintenance organization which controls, is controlled by, or is under common control with, another entity be in the form of a consolidated financial statement for the organization and such entity.

**(b) “Party in interest” defined**

For the purposes of this section the term “party in interest” means:

- (1) any director, officer, partner, or employee responsible for management or administration of a health maintenance organization, any person who is directly or indirectly the beneficial owner of more than 5 per centum of the equity of the organization, any person who is the beneficial owner of a mortgage, deed of trust, note, or other interest secured by, and valuing more than 5 per centum of the health maintenance organization, and, in the case of a health maintenance organization organized as a nonprofit corporation, an incorporator or member of such corporation under applicable State corporation law;
- (2) any entity in which a person described in paragraph (1)—
  - (A) is an officer or director;
  - (B) is a partner (if such entity is organized as a partnership);
  - (C) has directly or indirectly a beneficial interest of more than 5 per centum of the equity; or
  - (D) has a mortgage, deed of trust, note, on other interest valuing more than 5 per centum of the assets of such entity;
- (3) any person directly or indirectly controlling, controlled by, or under common control with a health maintenance organization; and
- (4) any spouse, child, or parent of an individual described in paragraph (1).

**(c) Information availability**

NB: This unofficial compilation of the U.S. Code is current as of Jan. 5, 2009 (see <http://www.law.cornell.edu/uscode/uscprint.html>).

Each health maintenance organization shall make the information reported pursuant to subsection (a) of this section available to its enrollees upon reasonable request.

**(d) Evaluation of transactions**

The Secretary shall, as he deems necessary, conduct an evaluation of transactions reported to the Secretary under subsection (a)(3) of this section for the purpose of determining their adverse impact, if any, on the fiscal soundness and reasonableness of charges to the health maintenance organization with respect to which they transpired. The Secretary shall evaluate the reported transactions of not less than five, or if there are more than twenty health maintenance organizations reporting such transactions, not less than one-fourth of the health maintenance organizations reporting any such transactions under subsection (a)(3) of this section.

**(e) Repealed. Pub. L. 99–660, title VIII, § 810, Nov. 14, 1986, 100 Stat. 3801**

**(f) Rates**

Nothing in this section shall be construed to confer upon the Secretary any authority to approve or disapprove the rates charged by any health maintenance organization.

**(g) Annual financial statement**

Any health maintenance organization failing to file with the Secretary the annual financial statement required in subsection (a) of this section shall be ineligible for any Federal assistance under this subchapter until such time as such statement is received by the Secretary and shall not be a qualified health maintenance organization for purposes of section 300e–9 of this title.

**(h) Penalties**

Whoever knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any statement filed pursuant to this section shall be guilty of a felony and upon conviction thereof shall be fined not more than \$25,000 or imprisoned for not more than five years, or both.

(July 1, 1944, ch. 373, title XIII, § 1318, as added Pub. L. 95–559, § 9(a), Nov. 1, 1978, 92 Stat. 2135; amended Pub. L. 97–35, title IX, § 948, Aug. 13, 1981, 95 Stat. 577; Pub. L. 99–660, title VIII, § 810, Nov. 14, 1986, 100 Stat. 3801; Pub. L. 108–173, title IX, § 900(e)(2)(E), Dec. 8, 2003, 117 Stat. 2372.)

**Amendments**

2003—Subsec. (a)(2). Pub. L. 108–173 substituted “Centers for Medicare & Medicaid Services” for “Health Care Financing Administration”.

1986—Subsec. (e). Pub. L. 99–660 struck out subsec. (e) which read as follows: “The Secretary shall file an annual report with the Congress on the operation of this section. Such report shall include—

“(1) an enumeration of standards and norms utilized to make the evaluations required under subsection (d) of this section;

“(2) an assessment of the degree of conformity or nonconformity of each health maintenance organization evaluated by the Secretary under subsection (d) of this section with such standards and norms;

“(3) what action, if any, the Secretary considers necessary under section 300e–11 of this title with respect to health maintenance organizations evaluated under subsection (d) of this section.”

1981—Subsec. (a). Pub. L. 97–35, § 948(a), (b), in par. (2) inserted reference to copy of the report, if any, filed with the Health Care Financing Administration, and in par. (3)(B) reorganized excluding provisions and, among revisions, inserted salaries paid to employees for services.

Subsec. (b)(1). Pub. L. 97–35, § 948(c), inserted “responsible for management or administration” after “employee”.

Subsec. (b)(4). Pub. L. 97–35, § 948(d), substituted “spouse, child, or parent” for “member of the immediate family”.

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### **Effective Date of 1986 Amendment**

Amendment by Pub. L. 99-660 effective Oct. 1, 1985, see section 815(a) of Pub. L. 99-660, set out as an Effective and Termination Dates of 1986 Amendment note under section 300e-1 of this title.